

VZCZCXRO8239
PP RUEHDE RUEHIHL RUEHKUK
DE RUEHBC #0031/01 1062027
ZNY CCCCC ZZH
P 152027Z APR 08
FM REO BASRAH
TO RUEHGB/AMEMBASSY BAGHDAD PRIORITY 0292
RUEHC/SECSTATE WASHDC PRIORITY 0709
INFO RUCNRAQ/IRAQ COLLECTIVE
RUEHBC/REO BASRAH 0746

C O N F I D E N T I A L SECTION 01 OF 04 BASRAH 000031

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E.O. 12958: DECL: 4/16/2018
TAGS: [PGOV](#) [ECON](#) [EFIN](#) [IZ](#)
SUBJECT: JUSTICE MINISTER ON SPENDING \$100 MILLION FOR BASRAH

REF: A) BASRAH 028 (B) BASRAH 27 (C) BAGHDAD 920

BASRAH 00000031 001.2 OF 004

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REASON: 1.4 (b), (d)

11. (C/REL MCFI) SUMMARY: CETI Ambassador Ries, STRATEFF MG Zamzow and USAID Director Crowley met with Justice Minister Safa al-Safi in Basrah regarding PM Maliki's \$100 million infusion of aid. Safi judged the Charge of the Knights a success, paving the way for investment and reconstruction. Safi's program will create jobs and meet direct, immediate needs for areas/people affected/harmed by the Charge operation. The main foci are services such as health, water, garbage as well as schools. \$100 million in "extra" funding will be advanced for this purpose but will be repaid from the Supplemental expected this summer. A committee of visiting deputy ministers will determine the project list, in consultation with the Provincial Council (PC), Governate, tribes and Basra elites ("the educated"). Project identification is well along, and the approved project list will be done within a month. Safi's committee will not put contracts out for tender, but will contract directly with input from the PC (faster but somewhat troubling on transparency grounds). Safi said an Iraqi face was essential, and did not at first want project ideas from us, or any other political entity; he later warmed to a list of Coalition projects if only to avoid duplication. He asked for information on Coalition battle damage compensation programs to similarly avoid duplication. He asked for help in providing the low cost housing that his program could not provide. He asked (in his MOJ capacity) that the USG's (unrelated) Basra Prison renovation get back on track.
END SUMMARY

12. (C/REL MCFI) CETI Ambassador Charles Ries, STRATEFF MG Mark Zamzow, USAID Director Christopher Crowley, and acting Treasury Attachi Samantha Vinograd met with Acting Minister of Justice Safa al-Safi at the Basrah Palace on April 12. Prime Minister Maliki has charged Safi with oversight of the \$100 million emergency aid package that the PM promised for Basrah. The all-USG attendees included MNFI Tribal program watcher, Deputy Pol-Mil Counselor, REO Director and Admiral Edward Winters from MNFI who has been residing at the Palace. Safi was cordial and appeared relaxed. The purpose of the meeting was to ascertain how Safi planned to move ahead with the \$100 million project and what assistance the Coalition could give. Safi acknowledged that he was in charge of overseeing the \$100 million program.

BACKGROUND: CHARGE OF THE KNIGHTS AND ITS SUCCESS

13. (C/REL MCFI) At the outset Safi thanked the group for the Coalition effort in support of the PM's offensive against militias, the Charge of the Knights (Ref C). He said the

'Charge' had unexpected but very good results. The operation would now release the pent-up demand for investment and reconstruction in Basrah province. The 'Charge' showed that the Iraqi Army (IA) could equip and resupply itself and was ready to act. It also showed that the State could enhance the peace. Safi noted that USG air support was decisive. Basrawis were now showing support for the GOI in a clear way. There were also benefits for local government: the Provincial Council (PC), Governor and the Federal Ministries provincial Directors General (DGs) for the various service sectors were shown they were expected to cooperate and execute their responsibilities. In sum, Safi said the Charge has released energy that will be good for investment in Basrah. Now that the security situation was under control, Safi was ready to move on the \$100 million program.

THE \$100 MILLION PACKAGE

¶4. (C/REL MCFI) Safi explained that the \$100 million central government "grant" would be used specifically for the areas in Basrah most "affected and harmed" by the operation, with a criterion to meet "direct and immediate" needs. Another imperative was to create jobs for "a lot" of people. Safi stressed that he had a vision but would collect all the relevant information first. Areas to be targeted included all basic services, but especially roads, bridges, sewers, water, garbage, schools and health. The assessment process will result in a list that a committee of GOI representatives will execute.

ASSESSING WHAT IS NEEDED

¶5. (C/REL MCFI) Safi noted that his assessment process was fairly far along and that many projects were ready to go. There had been and would continue to be a lot of meetings with the Governor, DGs, all service providers and tribal sheikhs. Safi noted that he had even had meetings with citizens in areas under militia control. Hyyanayah (the greatest JAM stronghold) with its large population would be a focus.

BASRAH 00000031 002.2 OF 004

CURRENT ASSESSMENT OF WHAT IS NEEDED

¶6. (C/REL MCFI) Safi (a Basrawi) said he was surprised that a lot of needs he thought were being met, were not. Preliminary assessment indicated that the main foci would be health, water, schools, general services such as street lights), and garbage collection. Fixing the city water supply was an immediate priority as the summer mosquito season was approaching with its attendant health risks. River branches would be dredged. Safi said a small part of the funds would go to city parks, as well as libraries. In his tours of the city, Safi noted that many health clinics did not have enough medical equipment, including for examples x-ray and obstetric equipment. (Note: The thorough and ongoing medical dimension of humanitarian efforts by NGO's, the UN, the Coalition and GOI have focused on medical supplies rather than equipment. Ref B. End Note.) There were not enough schools and some needed repair; many schools were missing desks. Safi said that he would try to fix the schools that can be fixed before trying to build new schools.

COMMITTEE TO DECIDE ON THE PROJECTS

¶7. (C/REL MCFI) Safi said that committee would make the final decision on what projects to execute with the \$100 million, not the governate/PC. Safi will chair the committee, which will include Deputy Ministers from Municipalities, Trade and Finance (who may have just arrived), as well as two Deputy Ministers from Housing and Health who are already here. To Ambassador Ries' question as to whether citizens can bring projects to this committee, Safi replied yes. Safi continued that he was counting on the input of the PC, DGs, Tribal Sheiks and the "educated people" (no mention of the Governor).

TIMELINES

¶8. (C/REL MCFI) Safi said that he had asked the Deputy Ministers to expedite the project decision process and that his timeline was three months, the meaning of which was vague but appeared to mean to have contracts committed. Safi said that the \$100 million would be "programmed" within a month, possibly within the next two or three weeks. Safi continued that \$100 million was not enough, but it was enough to be a catalyst for change and to effect a transformation.

PROCESS FOR PROJECT EXECUTION

¶9. (C/REL MCFI) The method as explained by Safi would be to "summarize" contracts, meaning not to put out tenders for bids but to let contracts directly. Ambassador Ries asked how Safi would decide with whom to contract. Safi replied that he was asking the PC for a list of good companies and suppliers. (Note: The Basrah PRT has labored mightily to educate the PC into process-oriented project management and not to try steering contracts to cronies. Safi's process could violate Iraqi laws that require a bidding process. End Note.)

HOW WILL THE MONEY FLOW?

¶10. (C/REL MCFI) Ambassador Ries inquired as to the mechanism to disburse the \$100 million. Safi replied that the mechanism was there but it would not be outside normal procedures. The Deputy Minister of Finance would be in Basrah and able to help input "equipment." Safi envisioned cooperation with the various ministries; supervision of a contract would go to whatever ministry the project logically falls under. Ambassador Ries asked if the \$100 million would come out of the 2008 provincial budget (and then later paid back from the pending GOI Supplemental, as we had heard); Safi replied that no, this was additional and nothing to do with the provincial budget. However, Safi warned that there would be GOI oversight also in the spending of the PC's budget. Some of the \$100 million would be used to monitor the provincial budget execution and ensuring that enough of it went to job creation.

JOB CREATION

¶11. (C/REL MCFI) Emphasizing again that a major criterion was creating many jobs, Safi noted that his plan was already in motion with 8000 jobs consisting of employment for six months to a year. He admitted that these jobs, however, were not from the \$100 million but from "ordinary" financing. He continued that there would be more jobs for the ministries to help administer the overall program. The Trade Ministry would have an increase of 2000 jobs and the Ministry of industry 500 jobs.

HOW CAN THE COALITION HELP?

¶12. (C/REL MCFI) Ambassador Ries asked how the Coalition could help Safi with his plan. He explained the breadth of Coalition projects, including ESF and CERP. He continued with some of the ideas that the Coalition has floated: to increase trade by setting up a free trade zone with Kuwait, the Basrah Development

BASRAH 00000031 003.2 OF 004

Commission's (BDC) work to attract investors. Safi cautioned that the GOI wanted to take the lead: "you can tell us but please don't publicize." For example, Safi expressed that the BDC's efforts would be viewed locally as politically motivated actions by the UK.

¶13. (C/REL MCFI) Ambassador Ries asked directly if Safi was open to our ideas. Safi replied no, not ideas from foreign experts. He continued that the GOI did not want input from political parties associated with a foreign country (and seemed to be lumping Coalition ideas in with ideas from Iraqi parties with ties to other nations). Ries continued his question: do you want a list of suggested projects from the U.S.? The vague answer was that political parties were involved. Safi said that people think both the Americans and British support the governor; this looked bad and the GOI did not want it. Safi used the example of ongoing street cleaning (which Admiral Winters

said that the USG had paid for); he would have preferred Iraqis doing this project instead of the Coalition but it was good that it was happening.

¶14. (C/REL MCFI) Though Safi showed no interest at first in any list of suggested projects that the Coalition might have for him, he warmed a bit after USAID Director Crowley noted that many of Safi's ideas, for example school desks, were underway. Safi admitted that it would be good to avoid duplication. Crowley continued that Safi should consult with aid agencies, to which Safi asked that we give him a list. Safi continued the theme of avoiding duplication by inquiring how the Coalition paid compensation for injuries/damage during the 'Charge.' It was acceptable that the Coalition pay as appropriate, but important to coordinate so that Safi's program (designed to help people affected by the 'Charge') would not duplicate Coalition efforts. It was agreed to exchange information. Safi finished by saying that USG help had been invaluable and "we will be very receptive to your ideas."

COALITION COULD HELP WITH HOUSING

¶15. (C/REL MCFI) Safi made clear one problem that the \$100 million project could not address was the serious lack of housing in Basrah City. He said some sort of "cookie cutter" homes would be great, especially in over populated areas like Hyyaniyah. Meeting the housing needs was a big dollar item, as in addition to the homes there would have to be the services to go with them.

BASRAH PRISON

¶16. (C/REL MCFI) Safi brought up another area in which the USG could help, (apparently more from his role as Justice Minister than in connection with the \$100 million), which was getting the Basrah Prison renovation completed. He noted that the GOI took comfort when the U.S. Army Corps of Engineers (USACE) undertook to do it - but they had not done anything yet. He pointed out that Ambassador Crocker and Safi were going to jointly open the prison in Nasiriyah in ten days. Ambassador Ries said he would follow up. (Note: The Basrah Prison renovation was obligated with INL funding in December 2007. An Iraqi Police battalion was moved out of the dilapidated prison to make room for the renovation. An INL assessment team came out January 08; they found some problems with the contract tender such that the tender had to be redone. End Note.)

POLITICAL ATMOSPHERICS

¶17. (C/REL MCFI) Safi described improvements in local politics since his time at the Basrah Palace, noting that he met with Governor Wa'eli every day at 1pm. It was an ironic side benefit of the 'Charge' that it brought the Governor and PC together. The Governor had been ignoring the PC; Safi claimed that the Governor had not attended a PC meeting in two years but now was attending every one. Once Wa'eli's "strength was removed, he started to cooperate." Safi admitted that the PC in general was a problem, but that he had met some good people on the Council. He continued that the citizens were now seeing cooperation and that money spent would be for the citizens, not for political parties. Ries stressed that the USG wanted exactly what Safi expressed, to support democracy not political parties.

HOW SAFI'S TRIBAL PROGRAM FITS IN

¶18. (C/REL MCFI) Since Safi is also in charge of the PM's tribal initiative, he was asked how it fit into the \$100 million. Safi asserted that they will get some of the \$100 million and that Sheikhs were coming in and giving some good ideas. He did not specify if money would be used to pay for a "Sons of Basrah" program along the lines of the Sons of Iraq. Safi said that the tribal initiative was still changing every day; currently the tribal committee was devolving into smaller committees to include more tribal input.

COMMENT AND ACTION PLAN FOR USG

¶19. (C/REL MCFI) Safi made it clear that an Iraqi face on assistance was of the utmost importance and that he was not overly interested in our view of what projects the GOI should undertake. Still, he asked for specific items and was open to information on what projects the Coalition had in progress so as at least to not duplicate efforts. We will need to be discreet and subtle with our input. The USG could:

- ¶1. Explore the idea of low-income mass housing.
- ¶2. Submit a list of USAID, PRT, J9, USACE and other projects already in the pipeline. This list could subtly suggest our development ideas by pointing out gaps, funding shortfalls etc.
- ¶3. Provide update on Basrah Prison project.
- ¶4. Explain mechanism for any Coalition programs to compensate citizens for battle damage.
- ¶5. Show the JCCI system to Safi as a resource for identifying trustworthy contractors.

¶20. (C/REL MCFI) The subject of letting contracts to capable and honest contractors has been a charged one in Basrah. PC members have tried to get control of contract awarding from the DGs in the governate, dating at least from August 2007. The USACE has spent much effort in using the JCCI system to vet a series of contractors that meet JCCI standards. The PRT has likewise made good progress in streamlining the PC's budget execution progress. Safi's stated intent to use PC advice for direct contracting without tenders is troubling. We will try to explain this system and the effort that has gone into it for identifying contractors and allocating contracts in a fair manner. While PC members and REO contacts have complained about the JCCI list (mostly because their favored contractors are not on the list), Safi (though a Basrawi) may not be aware of some of the bad apples here.

HOWARD